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MONTANA LEGISLATIVE HISTORY

Chapter 703 1983

Bill H 721 S _____ Original bill & history ☒ c

H. Committee on Human Services 2/11 S. Committee on State Administration
Rereferred to: Select Comm. Economic Development

Hearing Date(s) 2-17 _____ C

Hearing Date(s) 3-9 _____ C

report 2-19 _____ C

report 3-11 _____ C

2-20 _____ C

3-12 _____ C

_____ C

_____ C

_____ C

_____ C

Date Out 2-23 _____ C

Did this bill originate in an interim committee? _____ Yes _____ No

Committee _____

Report _____

RETURNED TO HOUSE WITH AMENDMENTS: 03/28/83

2ND READING: 04/04/83, BE CONCURRED IN AYES: 86; NAYS: 0
3RD READING: 04/05/83, BE CONCURRED IN AYES: 97; NAYS: 1
2ND READING: 04/08/83, BE NOT CONCURRED IN AYES: 92; NAYS: 0

FREE CONFERENCE COMMITTEE APPOINTED: 04/9/83

FREE CONFERENCE COMMITTEE REPORT: 4/18/83

HOUSE

2ND READING: 04/18/83, ADOPTED AYES: 97; NAYS: 0
3RD READING: 04/18/83, ADOPTED AYES: 100; NAYS: 0

SENATE

2ND READING: 04/19/83, BE ADOPTED AYES: 50; NAYS: 0
3RD READING: 04/20/83, BE ADOPTED AYES: 49; NAYS: 0

TRANSMITTED TO GOVERNOR: 4/21/83

SIGNED: 4/27/83, CHAPTER 647

HB 721 -- WALLIN, FAGG, NORDTVEDT, ET AL. -- TO CREATE A MONTANA HEALTH FACILITY AUTHORITY WITH POWER TO LEND MONEY TO HEALTH INSTITUTIONS TO CONSTRUCT OR RENOVATE HEALTH FACILITIES; AND EMPOWERING THE AUTHORITY TO ISSUE BONDS TO FINANCE ITS PROJECTS.

INTRODUCED: 02/11/83

REFERRED TO COMMITTEE ON HUMAN SERVICES: 02/11/83

REREFERRED TO SELECT COMMITTEE ON ECONOMIC DEVELOPMENT: 02/14/83

HEARING: 2/17/83

REPORT: 02/21/83, DO PASS, AS AMENDED

2ND READING: 02/23/83, DO PASS AYES: 82; NAYS: 9
3RD READING: 02/23/83, DO PASS AYES: 85; NAYS: 7

TRANSMITTED TO SENATE: 2/23/83

REFERRED TO COMMITTEE ON STATE ADMINISTRATION: 3/1/83

HEARING: 3/9/83

REPORT: 03/12/83, BE CONCURRED IN, AS AMENDED

2ND READING: 03/15/83 AYES: 49; NAYS: 0
3RD READING: 03/17/83 AYES: 48; NAYS: 0

RETURNED TO HOUSE WITH AMENDMENTS: 03/17/83

2ND READING: 03/31/83, BE CONCURRED IN AYES: 86; NAYS: 0
3RD READING: 04/01/83, BE CONCURRED IN AYES: 86; NAYS: 0

TRANSMITTED TO GOVERNOR:

RETURNED WITH AMENDMENTS: 4/15/83

HOUSE

2ND READING: 04/18/83, BE CONCURRED IN AYES: 93; NAYS: 0
3RD READING: 04/18/83, BE CONCURRED IN AYES: 99; NAYS: 0

TRANSMITTED TO SENATE: 04/19/83

2ND READING: 04/20/83, BE ADOPTED AYES: 50; NAYS: 0
3RD READING: 04/21/83, BE ADOPTED AYES: 50; NAYS: 0

RETURNED TO HOUSE: 04/21/83

TRANSMITTED TO GOVERNOR: 4/21/83
SIGNED: 4/30/83, CHAPTER 703

HB 722 -- WALDRON -- TO INCREASE THE INCOME LIMITATION QUALIFICATIONS FOR CLASS FOUR PROPERTY TAX RELIEF FOR CERTAIN WIDOWS, WIDOWERS, DISABLED PERSONS, AND ELDERLY PERSONS; TO PROVIDE FOR AN INFLATION ADJUSTMENT BASED UPON THE CONSUMER PRICE INDEX; AMENDING

INTRODUCED: 02/11/83
REFERRED TO COMMITTEE ON TAXATION: 02/11/83
HEARING: 2/21/83
DIED IN COMMITTEE

HB 723 -- DOZIER -- TO REQUIRE THE DEPARTMENT OF REVENUE TO TAX OWNER-OCCUPIED CONDOMINIUMS IN THE SAME MANNER AS PRIVATE RESIDENCES; AMENDING

INTRODUCED: 02/11/83
REFERRED TO COMMITTEE ON TAXATION: 02/11/83
HEARING: 2/18/83
DIED IN COMMITTEE

HB 724 -- DAILY -- ALLOCATING 30 PERCENT OF THE INTEREST INCOME FROM THE RESOURCE INDEMNITY TRUST ACCOUNT TO A HARD-ROCK MINING MITIGATION ACCOUNT; PROVIDING FOR THE USE OF THE ACCOUNT; AMENDING

INTRODUCED: 02/11/83
REFERRED TO COMMITTEE ON NATURAL RESOURCES: 02/11/83
HEARING: 2/16/83
REPORT: 02/16/83, DO PASS, AS AMENDED
2ND READING: 02/21/83, DO PASS AYES: 74; NAYS: 24
3RD READING: 02/22/83, DO PASS AYES: 75; NAYS: 24

TRANSMITTED TO SENATE: 2/22/83
REFERRED TO COMMITTEE ON TAXATION: 3/1/83

HEARING: 3/14/83
REPORT: 03/17/83, BE CONCURRED IN, AS AMENDED
ON MOTION, 3/19/83, THAT THE BILL BE REREFERRED TO THE COMMITTEE ON FINANCE & CLAIMS. MOTION PASSED BY THE FOLLOWING VOTE: AYES: 34; NAYS: 16.
HEARING: 4/9/83
ON MOTION, 4/14/83, THAT THE BILL BE TAKEN FROM THE COMMITTEE ON FINANCE & CLAIMS, PRINTED AND PLACED ON 2ND READING. MOTION FAILED BY THE FOLLOWING VOTE: AYES: 19; NAYS: 31.
DIED IN COMMITTEE

HB 725 -- NORDTVEDT -- TO GENERALLY REVISE THE PROVISIONS OF THE SCHOOL LAWS RELATING TO ELECTIONS; TO PROVIDE FOR ELECTION OF COUNTY AND SCHOOL DISTRICT OFFICERS IN ODD-NUMBERED YEARS; TO INCREASE SCHOOL TRUSTEE TERMS TO 4 YEARS; TO PROVIDE A TRANSITION SCHEDULE; AND TO REPEAL SECTIONS
BY REQUEST OF: THE SECRETARY OF STATE

INTRODUCED: 02/11/83
REFERRED TO COMMITTEE ON EDUCATION & CULTURAL RESOURCES: 02/11/83
HEARING: 2/18/83
DIED IN COMMITTEE

HB 726 -- CURTISS, MARKS, SMITH, ET AL. -- TO APPROPRIATE \$240,000 FROM THE RENEWABLE RESOURCE DEVELOPMENT CLEARANCE FUND ACCOUNT TO THE DEPARTMENT OF STATE LANDS FOR

HOUSE BILL NO. 721

INTRODUCED BY WALLIN, FAGG, NORDTVEDT,
ECK, WINSLOW, FABREGA, VINCENT, BOYLAN,
JACOBSON, KEATING, TOWE, PAVLOVICH,
BARDANOUVE, PHILLIPS

IN THE HOUSE

February 11, 1983	Introduced and referred to Committee on Human Services.
February 14, 1983	Rereferred to Select Committee on Economic Development.
February 21, 1983	Committee recommend bill do pass as amended. Report adopted.
	Statement of Intent attached.
February 22, 1983	Bill printed and placed on members' desks.
February 23, 1983	Second reading, do pass.
	Considered correctly engrossed.
	Third reading, passed. Transmitted to Senate.

IN THE SENATE

March 1, 1983	Introduced and referred to Committee on State Administration.
March 12, 1983	Committee recommend bill be concurrent in as amended. Report adopted.
March 15, 1983	Second reading, concurred in.

March 17, 1983

Third reading, concurred in.
Ayes, 48; Noes, 0.

IN THE HOUSE

March 17, 1983

Returned to House with
amendments.

March 31, 1983

Second reading, amendments
concurred in.

April 1, 1983

Third reading, amendments
concurred in.

Sent to enrolling.

April 6, 1983

Correctly enrolled.

April 7, 1983

Signed by Speaker.

April 9, 1983

Signed by President.

April 12, 1983

Delivered to Governor.

April 15, 1983

Returned from Governor with
recommended amendments.

April 18, 1983

Second reading, Governor's
amendments concurred in.

Third reading, Governor's
amendments concurred in.

IN THE SENATE

April 19, 1983

Governor's amendments
transmitted to Senate.

April 20, 1983

Second reading, Governor's
amendments concurred in.

April 21, 1983

Third reading, Governor's
amendments concurred in.

IN THE HOUSE

April 21, 1983

Returned to House. Sent to
enrolling.

Reported correctly enrolled.

1 *House* BILL NO. *721*
 2 INTRODUCED BY *Wesley T. Vincent* *Donna J. Joseph* *Ed Almdale*
 3 *Donna J. Joseph* *Donna J. Joseph* *Donna J. Joseph*
 4 A BILL FOR AN ACT ENTITLED: "AN ACT TO CREATE A MONTANA
 5 HEALTH FACILITY AUTHORITY WITH POWER TO LEND MONEY TO HEALTH
 6 INSTITUTIONS TO CONSTRUCT OR RENOVATE HEALTH FACILITIES; AND
 7 EMPOWERING THE AUTHORITY TO ISSUE BONDS TO FINANCE ITS
 8 PROJECTS."
 9
 10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
 11 Section 1. Montana health facility authority. (1)
 12 There is a Montana health facility authority.
 13 (2) The authority consists of seven members appointed
 14 by the governor as prescribed in 2-15-124. The members must
 15 be residents of this state. At least one of the members
 16 must currently be or formerly have been a trustee, director,
 17 comptroller, or other employee of a public or nonprofit
 18 hospital, knowledgeable in hospital and health care
 19 construction and financing. At least one member must be a
 20 person experienced in and having a favorable reputation for
 21 skill, knowledge, and experience in the field of state and
 22 municipal finance. At least one member must be a person
 23 experienced in and having a favorable reputation for skill,
 24 knowledge, and experience in the field of health facility
 25 architecture. In making appointments, the governor shall

1 take into consideration nominees recommended to him for
 2 appointment by professional organizations of hospitals,
 3 long-term care facilities, investment banking, and
 4 architects.

5 (3) The members must be appointed for 5-year staggered
 6 terms. Any member is eligible for reappointment. The
 7 governor shall fill any vacancy for the remainder of any
 8 unexpired term. Any member of the authority may be removed
 9 by the governor for misfeasance, malfeasance, willful
 10 neglect of duty, or other cause, after notice and a public
 11 hearing unless such notice or hearing is expressly waived in
 12 writing.

13 (4) The authority is allocated to the department of
 14 commerce for administrative purposes only as provided in
 15 2-15-121.

16 Section 2. Short title. [Sections 2 through 26] may be
 17 cited as the "Montana Health Facility Authority Act".

18 Section 3. Definitions. As used in [sections 2 through
 19 26], unless the context requires otherwise, the following
 20 definitions apply:

21 (1) "Authority" means the Montana health facility
 22 authority created in [section 1].

23 (2) "Costs" means costs allowed under [section 5].

24 (3) "Health facility" means any facility provided for
 25 in [section 4].

(4) "Health institution" means any private nonprofit hospital, corporation, or institution or public hospital or institution authorized to provide or operate a health facility in this state.

(5) "Participating health institution" means a health institution that undertakes the financing, refunding, or refinancing of obligations on the construction or acquisition of a health facility pursuant to the provisions of [sections 2 through 26].

(6) "Refinancing of outstanding obligations" means liquidation, with the proceeds of bonds or notes issued by the authority, of any indebtedness of a participating health institution incurred to finance or aid in financing a lawful purpose of such health institution not financed pursuant to [sections 2 through 26] that would constitute a facility had it been undertaken and financed by the authority, or consolidation of such indebtedness with indebtedness of the authority incurred for a facility related to the purpose for which the indebtedness of the health institution was incurred.

(7) "Revenues" means, with respect to facilities, the rents, fees, charges, interest, principal repayments, and other income received or to be received by the authority from any source on account of such facilities.

Section 4. Eligible health facility. An eligible

health facility includes a structure or building suitable for use as a hospital, clinic, nursing home, or other health care facility; laboratory; laundry; nurses', doctors', or interns' residence; administration building; research facility; maintenance, storage, or utility facility; auditorium; dining hall; food service and preparation facility; mental and physical health care facility; dental care facility; nursing school; medical teaching facility; or other structure or facility related to any of the foregoing or required or useful for the operation of a health facility. These related facilities include offices, parking lots and garages, and other supporting service structures and all necessary, useful, and related equipment, furnishings, and appurtenances and include without limitation the acquisition, preparation, and development of all lands and real and personal property necessary or convenient as a site or sites for any of the foregoing. An eligible health facility does not include such items as food, fuel, supplies, or other items that are customarily considered as current operating charges. An eligible health facility does not include any property used or to be used primarily for sectarian instruction or study or as a place for devotional activities or religious worship.

Section 5. Allowable costs. Costs eligible for financing or refinancing under [sections 2 through 26]

1 include:

2 (1) the total of all reasonable or necessary costs
3 incidental to the acquisition, construction, reconstruction,
4 repair, alteration, equipment, enlargement, and improvement
5 of an eligible health facility and the acquisition of all
6 real and personal property interests necessary or useful in
7 connection with the facility and all other undertakings
8 which the authority considers reasonable or necessary for
9 the development of the facility;

10 (2) the cost of demolishing or removing any building
11 or structure on land so acquired, the cost of acquiring any
12 land to which such building or structure may be moved, the
13 cost of all machinery and equipment, financing charges,
14 interest prior to and during construction and, if judged
15 advisable by the authority, for a period after completion of
16 such construction, the cost of financing the facility,
17 including interest on bonds and notes issued by the
18 authority to finance the facility;

19 (3) reserves for principal and interest and for
20 extensions, enlargements, additions, and improvements,
21 including without limitation the cost of studies and
22 surveys;

23 (4) the costs for land title and mortgage guaranty
24 policies;

25 (5) the costs of plans, specifications, and

1 architectural and engineering services;

2 (6) the costs of legal, organization, marketing, or
3 other special services;

4 (7) the costs of financing, acquisition, demolition,
5 construction, equipment, and site development of new and
6 rehabilitated buildings; and

7 (8) the costs of rehabilitation, reconstruction,
8 repair, or remodeling of existing buildings; and

9 (9) all other expenses necessary and incidental to the
10 construction and acquisition of the facility, the financing
11 of such construction, and the acquisition and placing of the
12 facility into operation.

13 Section 6. Quorum -- mode of action -- expenses. Four
14 members of the authority constitute a quorum for the purpose
15 of conducting business. Action may be taken by the
16 authority upon the affirmative vote of at least four of its
17 members. No vacancy in the membership of the authority
18 impairs the right of a quorum to exercise all the rights and
19 perform all the duties of the authority. Each meeting of
20 the authority for any purpose must be open to the public.
21 Notice of meetings must be as provided in the bylaws of the
22 authority. Resolutions need not be published or posted.
23 Members of the authority may receive no compensation for
24 services but are entitled to necessary expenses, as provided
25 in 2-18-501 through 2-18-503, incurred in the discharge of

1 their duties.

2 Section 7. Powers of authority. The authority may:

3 (1) sue and be sued;

4 (2) have a seal;

5 (3) adopt all procedural and substantive rules
6 necessary for the administration of [sections 2 through 26];

7 (4) issue bonds or incur other debt as described in
8 [sections 2 through 26], including the issuance of notes or
9 refunding bonds;

10 (5) invest any funds not required for immediate use,
11 subject to any agreements with its bondholders and
12 noteholders, as provided in Title 17, chapter 6, except that
13 all investment income from funds invested by the authority,
14 less the cost for investment, must be deposited in the bond
15 proceeds fund;

16 (6) contract in its own name for the investment of
17 funds, borrowing of funds, or any other purposes it
18 considers appropriate to carry out the purposes of [sections
19 2 through 26];

20 (7) participate with any financial institution in the
21 purchase or guarantee of any loan or obligation;

22 (8) issue bond anticipation notes or any other
23 anticipatory financial obligations to secure funding of
24 eligible facilities;

25 (9) enter into agreements or make advance commitments

1 to insure repayments required by loan agreements made by a
2 lender. Such agreements are subject to terms and conditions
3 established by the authority.

4 (10) sell, purchase, or insure loans to finance the
5 costs of eligible facilities;

6 (11) accept gifts, grants, or loans from a federal
7 agency, an agency or instrumentality of the state, a
8 municipality, or any other source;

9 (12) enter into contracts or other transactions with a
10 federal agency, an agency or instrumentality of the state, a
11 municipality, a private organization, or any other entity
12 consistent with the exercise of any power under [sections 2
13 through 26];

14 (13) with regard to property:

15 (a) acquire real or personal property or any right,
16 interest, or easement therein by gift, purchase, transfer,
17 foreclosure, lease, or otherwise;

18 (b) hold, sell, assign, lease, encumber, mortgage, or
19 otherwise dispose thereof;

20 (c) hold, sell, assign, or otherwise dispose of any
21 mortgage or loan owned by it or in its control or custody;

22 (d) release or relinquish any right, title, claim,
23 interest, easement, or demand, however acquired, including
24 any equity or right of redemption;

25 (e) make any disposition by public or private sale,

1 with or without public biddings;
 2 (f) commence any action to protect or enforce any
 3 right conferred upon it by any law, mortgage, contract, or
 4 other agreement;
 5 (g) bid for and purchase property at any foreclosure
 6 or other sale or acquire or take possession of it in lieu of
 7 foreclosure; and
 8 (h) operate, manage, lease, dispose of, and otherwise
 9 deal with such property in any manner necessary or desirable
 10 to protect its interests or the holders of its bonds or
 11 notes if such action is consistent with any agreement with
 12 such holders;
 13 (14) service, contract, and pay for the servicing of
 14 loans;
 15 (15) provide general technical services in the
 16 analysis, planning, design, processing, construction,
 17 rehabilitation, and management of eligible health facilities
 18 whenever considered appropriate;
 19 (16) consent, whenever it considers necessary or
 20 desirable in fulfilling its purposes, to the modification of
 21 the rate of interest, time, or payment of any installment of
 22 principal, interest, or security or any other term of any
 23 contract, lease agreement, loan agreement, mortgage,
 24 mortgage loan, mortgage loan commitment, construction loan,
 25 advance contract, or agreement of any kind, subject to any

1 agreement with bondholders and noteholders;
 2 (17) collect reasonable interest, fees, and charges
 3 from participating institutions in connection with making
 4 and servicing its lease agreements, loan agreements,
 5 mortgage loans, notes, bonds, commitments, and other
 6 evidences of indebtedness. Interest, fees, and charges are
 7 limited to the amounts required to pay the costs of the
 8 authority, including operating and administrative expenses
 9 and reasonable allowances for losses that may be incurred.
 10 (18) perform any other acts necessary and convenient to
 11 carry out the purposes of [sections 2 through 26].
 12 Section 8. Restriction on operating facility --
 13 leases. (1) The authority may not operate an eligible health
 14 facility as a business other than as a lessee or lessor.
 15 Any lease of a facility must be for a term not less than the
 16 longest maturity of any bonds issued to finance the facility
 17 or a portion thereof. The lease must provide for rentals
 18 adequate to pay the principal and interest due on bonds and
 19 to create and maintain such reserves and accounts for
 20 depreciation as the authority determines necessary.
 21 (2) The lease may contain terms and conditions that
 22 the authority considers proper. The lease may be terminated
 23 upon failure of the facility to comply with any obligation
 24 under the lease. The lease may include a renewal or an
 25 option to purchase provision upon such terms or conditions

1 as the authority considers desirable.

2 (3). Upon payment of all indebtedness incurred by the
3 authority for financing a facility, the authority may convey
4 any or all of the facility to the lessee, with or without
5 consideration.

6 Section 9. Staff of authority. The authority may
7 employ or contract for any professional staff or consultants
8 necessary and fix their compensation.

9 Section 10. Loan limitation. No loan made by the
10 authority may exceed the total cost of the eligible health
11 facility being financed as such cost is determined by the
12 participating institution and approved by the authority.

13 Section 11. Agent of the authority. The authority may
14 designate a participating health institution as its agent
15 for determining the location and character of an eligible
16 health facility undertaken by that institution under the
17 provisions of [sections 2 through 26]. As agent, the
18 institution may acquire, construct, reconstruct, renovate,
19 replace, improve, maintain, repair, operate, lease, as
20 lessee or lessor, and enter into contracts for any and all
21 such purposes, including contracts for the management and
22 operation of the facility.

23 Section 12. Notes. The authority is authorized from
24 time to time to issue its negotiable notes for any corporate
25 purpose, including the payment of all or any part of the

1 cost of any facility, and renew from time to time any notes
2 by the issuance of new notes, whether the notes to be
3 renewed have or have not matured. The authority may issue
4 notes partly to renew notes or to discharge other
5 obligations then outstanding and partly for any other
6 purpose. The notes may be authorized, sold, executed, and
7 delivered in the same manner as bonds. Any resolution
8 authorizing notes of the authority or any issue thereof may
9 contain any provisions which the authority is authorized to
10 include in any resolution authorizing bonds of the
11 authority. The authority may include in its notes any
12 terms, covenants, or conditions that it is authorized to
13 include in any bonds. All notes must be payable from the
14 proceeds of bonds, renewal notes, the revenues of the
15 authority, or other money available therefor and not
16 otherwise pledged, subject only to any contractual rights of
17 the holders of any of its notes or other obligations then
18 outstanding.

19 Section 13. Bonds of the authority. (1) The authority
20 may borrow money and issue bonds, including but not limited
21 to bonds on which the principal and interest are payable:

22 (a) exclusively from the income, receipts, or other
23 money derived from an eligible health facility financed with
24 the proceeds of the bonds;

25 (b) exclusively from the income, receipts, or other

1 money derived from designated facilities, whether or not
2 they are financed in whole or in part with the proceeds of
3 the bonds; or

4 (c) from its income, receipts, other assets generally,
5 or a designated part or parts of them.

6 (2) Bonds must be authorized and dated and shall
7 mature as the authority may specify, except that no bond may
8 mature more than 40 years from the date of its issue. Bonds
9 shall bear interest at the rate or rates, be in the
10 denominations, be in the proper registered or bearer form,
11 be executed in the manner, be payable in the medium of
12 payment, at the place or places, and be subject to the terms
13 of redemption that the authority may provide.

14 (3) All bonds, regardless of form or character, are
15 negotiable instruments for all purposes of the Uniform
16 Commercial Code, subject to requirements as to registration.

17 (4) All bonds may be sold at public or private sale in
18 the manner, for the price or prices, and at the time or
19 times which the authority may determine.

20 (5) Before the issuance of any bonds, the authority
21 shall make provisions, by lease or other agreement,
22 regarding the facility or facilities being financed by the
23 issue of the bonds, for rentals or other considerations
24 sufficient, in the judgment of the authority, to:

25 (a) pay the principal of and interest on the bonds as

1 they become due;

2 (b) create and maintain the reserves therefor;

3 (c) meet all obligations in connection with the lease
4 or other agreement; and

5 (d) meet all costs necessary to service the bonds
6 unless the lease or agreement provides that the obligations
7 are to be met or costs are to be paid by a party other than
8 the authority.

9 (6) The authority may combine, for the purposes of a
10 single offering, bonds financing more than one facility
11 under [sections 2 through 26].

12 Section 14. Security of bondholders. (1) The payment
13 of the principal of and interest on any bonds issued under
14 [sections 2 through 26] must be secured by a pledge of the
15 revenues out of which such bonds are made payable.

16 (2) The principal of and interest on any bonds issued
17 under the authority of this part may be secured by:

18 (a) a mortgage covering all or any part of the
19 eligible health facility;

20 (b) a pledge of the lease or loan agreement relating
21 to such facility; or

22 (c) such other security device as may be considered
23 most advantageous by the authority.

24 (3) The proceedings under which the bonds are
25 authorized to be issued under the provisions of [sections 2

1 through 26] and any mortgage given to secure the same,
2 including a mortgage given by the borrower or lessee, may
3 contain any agreements and provisions customarily contained
4 in instruments securing bonds, as the authority considers
5 advisable. Such provisions may not be in conflict with the
6 provisions of [sections 2 through 26], including without
7 limitation provisions relating to:

8 (a) fixing and collection of rents or payments under
9 any lease or loan agreement concerning the facility covered
10 by such proceedings or mortgage;

11 (b) terms to be incorporated in the lease or loan
12 agreement;

13 (c) maintenance and insurance of such facility;

14 (d) creation and maintenance of special funds from the
15 revenues of such facility; and

16 (e) rights and remedies available in the event of a
17 default to the bondholders or to the trustee under a
18 mortgage.

19 (4) The proceedings authorizing any bonds under the
20 provisions of [sections 2 through 26] and any mortgage,
21 including a mortgage given by the lessee or borrower,
22 securing such bonds may provide that in the event of a
23 default in the payment of the principal of or the interest
24 on such bonds or in the performance of any agreement
25 contained in such proceedings or mortgage, such payment and

1 performance may be enforced by mandamus or by the
2 appointment of a receiver in equity with power to charge and
3 collect rents and to apply the revenues from the project in
4 accordance with such proceedings or the provisions of such
5 mortgage.

6 (5) Any mortgage made by the authority, lessee, or
7 borrower to secure these bonds may provide that, in the
8 event of a default in the payment thereof or the violation
9 of any agreement contained in the mortgage, the mortgage may
10 be foreclosed and the project sold under proceedings in
11 equity or in any other manner permitted by law. The
12 mortgage may also provide that any trustee under the
13 mortgage or the holder of any of the bonds secured thereby
14 may become the purchaser at any foreclosure sale if he is
15 the highest bidder therefor. No breach of any such
16 agreement may impose any pecuniary liability upon the
17 authority.

18 Section 15. Purchase of bonds. The authority may
19 purchase its bonds or notes. The authority may hold,
20 pledge, cancel, or resell such bonds or notes, subject to
21 and in accordance with agreements with bondholders or
22 noteholders.

23 Section 16. Findings before issuance of bonds. The
24 authority may not undertake to finance any eligible health
25 facility unless, prior to the issuance of any bonds or

1 notes, the members find that:

2 (1) such facility will enable or assist a health
3 institution to fulfill its obligation to provide health
4 facilities; and

5 (2) such facility has been reviewed and approved by
6 the appropriate regional and state health planning boards.

7 Section 17. Trust agreement to secure bonds. In the
8 discretion of the authority, any bonds issued under
9 [sections 2 through 26] may be secured by a trust agreement
10 between the authority and a corporate trustee, which may be
11 any trust company or bank having the powers of a trust
12 company in Montana. The trust agreement or the resolution
13 providing for the issuance of such bonds may pledge or
14 assign the revenues to be received or proceeds of any
15 contract or contracts pledged and may convey or mortgage the
16 project or any portion thereof. The trust agreement or
17 resolution providing for the issuance of such bonds may
18 contain such provisions for protecting and enforcing the
19 rights and remedies of the bondholders as may be reasonable
20 and proper and not in violation of law, including
21 particularly such provisions as have been specifically
22 authorized to be included in any resolution of the authority
23 authorizing bonds. Any bank or trust company incorporated
24 under the laws of this state, which may act as depository of
25 the proceeds of bonds or of revenues or other money, may

1 furnish such indemnifying bonds or pledge such securities as
2 may be required by the authority. Any such trust agreement
3 may set forth the rights and remedies of the bondholders and
4 of the trustee or trustees and may restrict the individual
5 right of action by bondholders. In addition, any such trust
6 agreement or resolution may contain such other provisions as
7 the authority may consider reasonable and proper for the
8 security of the bondholders. All expenses incurred in
9 carrying out such trust agreement or resolution may be
10 treated as a part of the cost of the operation of an
11 eligible health facility.

12 Section 18. Credit of state not pledged. Obligations
13 issued under the provisions of [sections 2 through 26] do
14 not constitute a debt, liability, obligation, or pledge of
15 the faith and credit of the state but are payable solely
16 from the revenues or assets of the authority. An obligation
17 issued under [sections 2 through 26] must contain on the
18 face thereof a statement to the effect that the state of
19 Montana is not liable on the obligation, the obligation is
20 not a debt of the state, and neither the faith and credit
21 nor the taxing power of the state is pledged to the payment
22 of the principal of or the interest on the obligation.

23 Section 19. Exemption from taxation -- securities law.
24 (1) The authority performs a public function for the benefit
25 of the people of the state for the improvement of their

1 health and living conditions and is a public instrumentality
 2 of the state. Accordingly, the income or other revenues of
 3 the authority and all property owned by the authority and
 4 any bonds, notes, or other obligations issued under
 5 [sections 2 through 26], their transfer, and income
 6 therefrom, including any profit made on the sale thereof,
 7 are exempt at all times from all taxation in the state of
 8 Montana.

9 (2) Bonds issued by the authority are exempt from the
 10 Montana Securities Act, but copies of all prospectus and
 11 disclosure documents must be deposited with the state
 12 securities commissioner for public inspection.

13 Section 20. Necessary expenses -- fees. (1) All
 14 expenses of the authority incurred in carrying out the
 15 provisions of [sections 2 through 26] are payable solely
 16 from funds provided under the authority of [sections 2
 17 through 26], and no liability may be incurred by the
 18 authority beyond the extent to which money has been provided
 19 under [sections 2 through 26], except for the purposes of
 20 meeting the necessary expenses of initial organization and
 21 operation and until such date as the authority derives money
 22 from funds provided under [sections 2 through 26]. The
 23 authority may borrow money for necessary expenses of
 24 organization and operation. Such borrowed money must be
 25 repaid within a reasonable time after the authority receives

1 funds provided for under [sections 2 through 26].

2 (2) When an application is made to the authority by
 3 any participating health institution for financial
 4 assistance to provide for its facilities, the application
 5 must be accompanied by an initial planning service fee in an
 6 amount determined by the authority. Such initial planning
 7 service fee must be included in the cost of the facilities
 8 to be financed and is not refundable by the authority,
 9 whether or not any application is approved. In addition to
 10 the initial fee, an annual planning service fee must be paid
 11 to the authority by each participating health institution in
 12 an amount determined by the authority. The annual planning
 13 service fee must be paid on such dates or in installments as
 14 may be satisfactory to the authority. The fees must be used
 15 for:

16 (a) necessary expenses to determine the need for
 17 facilities in the area concerned, and to that end the
 18 authority may utilize recognized voluntary and official
 19 health planning organizations and agencies at local,
 20 regional, and state levels;

21 (b) necessary administrative expenses; and

22 (c) reserves for anticipated future expenses.

23 (3) The authority may, for a negotiated fee, retain
 24 the services of any other public or private person, firm,
 25 partnership, association, or corporation for the furnishing

of services and data for use by the authority in determining the need for and location of any eligible health facility for which application is being made or for such other services or surveys as the authority considers necessary to carry out the purposes of [sections 2 through 26].

Section 21. Conveyance of title to institution. When the principal and interest on bonds issued by the authority to finance the cost of eligible health facilities or to refinance outstanding indebtedness of one or more participating health institutions, including any refunding bonds issued to refund and refinance such bonds, have been fully paid and retired or when adequate provision has been made to fully pay and retire the same and all other conditions of the resolution, lease, trust indenture, and mortgage or deed of trust or any other form of security arrangement, if any, authorizing and securing the same have been satisfied and the lien of the mortgage or deed of trust or any other form of security arrangement has been released in accordance with the provisions thereof, the authority shall promptly convey its interest in the facilities and any other facilities mortgaged or subject to deed of trust or any other form of security arrangement to secure the bonds to the participating health institution or institutions.

Section 22. Trust funds. All money received pursuant to [sections 2 through 26], whether as proceeds from the

sale of bonds, notes, or other obligations or as revenues or receipts, are trust funds to be held and applied solely as provided in [sections 2 through 26]. Any officer with whom or any bank or trust company with which such money is deposited shall act as trustee of the money and shall hold and apply it for the purposes of [sections 2 through 26], subject to such regulations as [sections 2 through 26] and the resolution authorizing the bonds, notes, or other obligations of any issue or the trust agreement securing the obligations may provide.

Section 23. Bonds as legal investment. (1) Bonds issued by the authority under the provisions of [sections 2 through 26] are securities in which funds may be legally and properly invested, including capital in the control of or belonging to:

(a) public officers and public bodies of the state and its political subdivisions;

(b) insurance companies;

(c) credit unions, building and loan associations, investment companies, savings banks, banking associations, and trust companies;

(d) personal representatives, public administrators, trustees, and other fiduciaries; and

(e) pension, profit-sharing, and retirement funds.

(2) Bonds issued under [sections 2 through 26] are

1 securities that may properly and legally be deposited with
2 and received by any state or municipal officer or any agency
3 or municipality of the state for any purpose for which the
4 deposit of bonds or obligations of the state is authorized
5 by law.

6 Section 24. Pledge of the state. In accordance with
7 the constitutions of the United States and the state of
8 Montana, the state pledges that it will not in any way
9 impair the obligations of any agreement between the
10 authority and the holders of notes and bonds issued by the
11 authority, including but not limited to an agreement to
12 administer a loan program financed by the issuance of bonds,
13 and to employ a staff sufficient and competent for this
14 purpose.

15 Section 25. Validity of pledge. Any pledge made by the
16 authority is valid and binding from the time the pledge is
17 made. The revenue, money, or property pledged and received
18 by the authority is immediately subject to the lien of the
19 pledge without any physical delivery or further act. The
20 lien of any pledge is valid and binding against all parties
21 having claims of any kind, whether in tort, contract, or
22 otherwise, against the authority, irrespective of whether
23 such parties have notice thereof. Neither the resolution
24 nor any other instrument by which a pledge is created is
25 required to be recorded.

1 Section 26. Annual audit. (1) The authority's books
2 and records must be audited at least once each fiscal year.
3 (2) The legislative auditor may conduct an audit at
4 any time upon the request of the legislative audit
5 committee.

6 Section 27. Initial appointments to authority.
7 Notwithstanding [section 1], the members of the authority
8 first appointed by the governor shall serve for terms to be
9 designated by the governor and to expire on June 30 of the
10 respective year. The terms of two members shall expire in
11 1984, two in 1985, and one each in 1986, 1987, and 1988.

12 Section 28. Severability. If a part of this act is
13 invalid, all valid parts that are severable from the invalid
14 part remain in effect. If a part of this act is invalid in
15 one or more of its applications, the part remains in effect
16 in all valid applications that are severable from the
17 invalid applications.

-End-

STATE OF MONTANA

REQUEST NO. 405-83

FISCAL NOTE

Form BD-15

In compliance with a written request received February 14, 19 83, there is hereby submitted a Fiscal Note for House Bill 721 pursuant to Title 5, Chapter 4, Part 2 of the Montana Code Annotated (MCA). Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

DESCRIPTION OF PROPOSED LEGISLATION:

House Bill 721 creates a 7 member Montana health facility authority with the power to issue tax exempt bonds to finance eligible health facilities.

ASSUMPTIONS:

- 1) Authority required to be self-supporting.
- 2) Authority may borrow and repay initial start-up costs.
- 3) Board will not hire staff, but use contracted professional services of accountants, attorneys, etc.
- 4) No estimate is made for size of bond issues or fees from bond issues.
- 5) Level of activity is unknown as there is no historical base.
- 6) Expenditure level will be based on level of activity.

FISCAL IMPACT:

	<u>FY84</u>	<u>FY85</u>	<u>BIENNIUM TOTAL</u>
Revenue:			
Loan to be repaid from bond proceeds	\$ 57,300	\$ 59,400	\$116,700
Expenditures:			
Board	6,300	8,400	14,700
Contracted Services	36,000	36,000	72,000
Other Expenses	15,000	15,000	30,000
Total	57,300	59,400	116,700
Net Effect	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

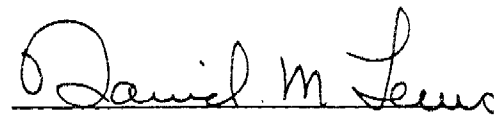
COMMENT:

No estimate is made for the size of bond issues that can be made by the authority. The bonds are not an obligation of the state.

TECHNICAL NOTE:

Bill does not specify account to which these revenues are to be deposited.

FISCAL NOTE 15:Q/1



BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 2-19-83

GARY BUCHANAN stated if the committee authorized them to amend HB 700 and make this a series of amendments to HB 700, and since there are just three major issues here he feels they could work pretty quickly and would be glad to supply the staff.

REPRESENTATIVE FABREGA suggested that HB 871 be brought as closely to parallel with HB 700 so that the two of them could work hand in hand. He felt this was another option and he would like to look at both options.

REPRESENTATIVE ASAY asked if the type of loans that come under this couldn't come under the development credit corporation?

BILL HARRIS answered this bill and HB 700 are tax exempt financed, the Development Credit Corporation does not have the power to raise the tax exempt financing, so you have to have an agency like this to raise the money. The DCCM could borrow money through this mechanism and re-loan it.

CHAIRMAN VINCENT stated if there were no further questions on HB 832 the committee would proceed onto HB 721.

HB 721

REPRESENTATIVE WALLIN explained HB 721 and why we need health financing authority. He noted some type of tax exempt financing exists in every state. Twenty-two states have hospital financing authority. Montana Health Facility authorities could provide these services, first in determining the eligibility of the borrowers and second to recommend and assist in selecting and managing underwriters, bond counselors, etc., and third to review with the hospital the various advantages and disadvantages of the method, and fourth the authority to review the monthly disbursement reports and the timely investment and repayment of funds. This can become a clearing house for federal and state guaranteed funding levels available for assistance. He stated this bill was patterned after a bill in 1972 which establishes the authority of financing of hospitals and nursing homes. He further explained the mechanics of HB 721.

CHAIRMAN VINCENT asked if there were any Proponents to HB 721.

PROPONENTS

KEN RUTLEDGE, Representing Montana Hospital Association, asked to clarify this bill, no it is not an economic development bill, but is a bill to facilitate capital formation for a non-profit institution. He explained it is a bill modeled after legislation in Colorado

and Idaho, and he referred to Exhibit C on why we need health financing authority? He stated the bill submitted to the Legislative committee for drafting was quite lengthy and the staff on this committee did an excellent job in reducing this approximately 50%. He noted that in going through the bill, there were a number of changes that had to be made when the bill came out. He would like to submit Exhibit D, regarding the amendments they would like. He also wanted to give the committee Exhibit E, which is from the Colorado Financing authority which gives an explanation of what the role of a state health facility financing authority is.

GARY BUCHANAN stated that Mr. Rutledge and others came to him a few weeks ago with a concept and he feels he and Representative Wallin have made it feasible for the state with this hospital financing.

GORDON HOVAN, Representing Piper, Jaffray & Hopwood, stated their support of HB 721.

JAMES GILLETT, Legislative Auditor's Office, stated they would have the same amendment for HB 721 as the others, see Exhibit F.

CHAIRMAN VINCENT stated since there were no further proponents to the bill, were there any opponents. Since there were no opponents, were there any questions.

REPRESENTATIVE FABREGA stated that he understood since HB 721 is not asking for any guarantee from the state, therefore there is no cap. He was answered that is correct.

REPRESENTATIVE RAMIREZ asked with specialty hospital financing you could do basically the same thing.

DOUG MITCHELL, Director of Colorado Financing Authority, explained that bonds issued by state-wide health financing authority are issued under Section 103, a IRS code, which he further explained. He noted the pooling that is possible under a state-wide authority for purposes for capital equipment financing is not available under the industrial development revenue bonds. He further explained when Industrial Development Bonds are issued they are issued and offered on a public market place through investment banking, which is the most common form.

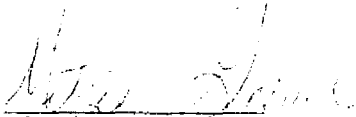
REPRESENTATIVE WALLIN closed by saying this was a chance to do something great for the communities of Montana and urged support from the committee on this bill.

REPRESENTATIVE FAGG moved to appoint a subcommittee to put provisions of HB 871 into HB 700 or to make them parallel each other. He would also like to look into the uses of the bonding authorization in HB 818 to fund the reserve for all the bonding programs that this committee is considering.

GARY BUCHANAN stated his department would be happy to help in any way in regard to the above motion.

CHAIRMAN VINCENT stated the following subcommittee was to be appointed to study Representative Fagg's motion. Representative Harrington, Chairman; Representative Schye, Representative Darko, Representative Fabrega and Representative Fagg.

The meeting was adjourned at 8:34 p.m.


Mitzie Grover
Secretary


Representative John Vincent
Chairman

NAME: GORDON HOVEN DATE: 2/17/83

ADDRESS: 1414 Knight, AZLENA, W.T

PHONE: 442-4958

REPRESENTING WHOM? Piper, Jaffray + Hopwood

APPEARING ON WHICH PROPOSAL: HB 721

DO YOU: SUPPORT? AMEND? OPPOSE?

COMMENTS: _____

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.



Montana Hospital Association

(406) 442-1911 • P.O. BOX 5119 • HELENA, MONTANA 59604

TESTIMONY ON HOUSE BILL 721

Why do we need a health financing authority?

1. Most studies agree that there will be increased competition for capital in the 1980's.
2. The demand for capital for hospital capital projects will grow as facilities constructed with federal Hill-Burton funds in the 50's and 60's become outmoded and in need of renovation and replacement.
3. The shifting and aging of our population and new technology will also contribute to the need for capital.
4. Tax exempt revenue bonds are the mior debt instrument used by hospitals today, accounting for 11 percent of the total tax-exempt bond market today, compared with only 2 percent in 1972.
5. Health facility authorities improve a hospital's access to the capital market, because it works continuously in the marketplace and has the information to broaden access.
6. Health financing authorities provide technical assistance to health care facilities which can assist them in improving their capital planning techniques and expertise.

How will a financing authority save hospitals and other health care facilities money in their capital expenditures?

1. The authority can assist the hospital in evaluating every financing strategy available to assure the most advantageous method of financing.
2. The authority can help negotiate the most favorable interest rates

and an equitable underwriting discount.

3. The authority can issue tax-exempt bonds for financing of a pool of capital equipment needs for a group of hospitals, thus spreading financing fees over many hospitals and making tax-exempt financing cost-effective where it otherwise would not have been so.
4. By funding private purchasers of hospital notes and bonds, eliminating many of the costs associated with public offerings.

HOUSE BILL NO. 721

MR. CHAIRMAN:

I move to amend House Bill No. 721 as follows:

1. On page 1 in line 12, by deleting the word "a" and substituting in lieu thereof the words "created a public body corporate designated as the"

2. On page 1 in line 12, by adding after the period: "This authority is constituted a public instrumentality, and its exercise of the powers conferred by [sections 2 through 26] shall be considered and held to be the performance of an essential public function."

3. On page 2 in line 15, by adding the following before the period: "except that the authority may employ its own staff as provided in [section 9]".

4. On page 7 in line 5, by deleting the words "procedural and substantive rules" and inserting in lieu thereof the words "policies and procedures".

5. On page 7 in line 10, by adding after the word funds "obtained from issuance of bonds and notes which are".

6. On page 10 in lines 15, 16 and 17, by deleting the words "Any lease of a facility must be for a term not less than the longest maturity of any bonds issued to finance the facility or a portion thereof."

7. On page 16 in line 23, by deleting the words "Findings before" and substituting in lieu thereof the words "Procedure for".

8. On page 16 in line 23, after the period following the word "bonds", insert "(1)".

9. On page 17 in line 1, by deleting the colon and further deleting all of lines 2, 3, 4, 5 and 6 and substituting in lieu thereof the following:

"such facility will enable or assist a health institution to fulfill its health care obligations.

THE ROLE OF A STATE HEALTH FACILITY FINANCING AUTHORITY IN ACQUISITION OF CAPITAL

Acquisition of capital involves several steps:

- (1) Determination of the capital needs of the institution;
- (2) Analysis of the alternative financing methods available to the institution;
- (3) Initiation and scheduling of the financing;
- (4) Negotiation and determination of the terms, covenants and costs of the financing; and
- (5) Finalization of the financing.

Determination of capital needs

In determining the capital needs of the institution, it is necessary to analyze the following:

- (1) The current, outstanding debt of the institution;
- (2) The long-range capital plans of the institution (3 to 5 years);
- (3) The financial position of the institution and any indications that the financial position gives as to the soundness of the fiscal plan; and
- (4) The effect of the institution's reimbursement system on the proposed capital project.

Analysis of alternative financing methods

The following methods of capital acquisition may be available to the institution:

- (1) Philanthropy and grants;
- (2) Conventional or tax-exempt private placement loans, both short-term and long-term, with institutional lenders (banks, insurance companies, savings and loan associations);

(3) Conventional or tax-exempt public offerings, both short-term and long-term; and

(4) Government programs.

It is important that the method or combination of methods selected best fit the needs and capabilities of the institution.

Initiation and scheduling of the financing

After the institution has determined the amount, term and method of financing best suited to its needs, it must then select and notify all the parties to be involved. Time limits for the financing must also be established. It is important to the timely progression of a financing to understand and address the time restrictions and requirements of all involved parties.

Negotiation and determination of terms, etc.

The terms and covenants of a financing must be carefully determined because of the impact such terms and covenants will have on the future operations of the institution and the impact they will have on the acceptance of the financing in the marketplace.

In the public offering method of financing, the interest rates are negotiated separately from the terms and covenants. The institution must understand the relationship between marketplace acceptance of the offering and the interest rates. There must also be an understanding of the relationship between interest rates and underwriter's discounts and premiums.

Finalization of the financing

In order to finalize the financing, the institution must provide the necessary documents, representations, warranties and certifications.

THE ROLE OF THE AUTHORITY

The role of the Authority in health care institution financings is an important one. The Authority can (1) significantly reduce the costs of borrowings, (2) provide knowledgeable assistance to institutions in acquiring capital and (3) provide an orderly marketplace for the institutions' debt.

Reducing the costs of borrowings

In addition to providing the vehicle which allows the financings to be tax-exempt, the Authority can further reduce the costs of borrowings by offering "consistency" to the investors. The Authority's financings must consistently provide fair and realistic terms and covenants sufficient to protect the position of the lenders or bondholders. The investors will then develop a reliance upon the Authority. Few investors truly have the expertise to properly analyze a hospital revenue financing, and the more reliance the investors can place on the Authority's financings, the better acceptance that financing will enjoy in the capital marketplace.

Also, by consistently providing fair and realistic terms, the Authority can develop a knowledge of the capital marketplace which can be passed on to health care institutions. This will assist those institutions during the early stages of developing a capital program by giving them an awareness of any special terms they must provide for and the impact such special terms will have on the marketing of their debt.

Consistency in the financing documents will also help to reduce borrowing costs by limiting the time necessary for review of the documents by the investors, rating agencies, bond counsel, Authority counsel and counsel for the institution. Limited time requirements means lower fees.

Providing assistance to the institution

The Authority should provide qualifying institutions with the expertise necessary to consummate a successful financing. This expertise can come from three basic sources:

- (1) The Authority could hire employees qualified to provide the expertise;
- (2) The Authority could rely upon investment bankers to provide the expertise; or
- (3) The Authority could utilize a firm specializing in financial advisory services to provide the expertise.

Providing an orderly marketplace

The Authority can provide an orderly marketplace for institutions financing through the Authority. By monitoring the money markets, the Authority would have the ability to schedule financings so that competition between Authority public offerings would be eliminated. This same procedure would eliminate competition between any private placement financings. In addition, the Authority can establish relationships with banks and savings and loan associations creating a source of capital not usually available to health care institutions on a tax-exempt basis.

THE ROLE OF THE FINANCIAL ADVISOR

The role of the financial advisor is to assist the Authority in obtaining capital for health care institutions from various money markets through the most suitable method and at the lowest possible interest cost. To accomplish this, the financial advisor should:

- (1) Advise the Authority of the effects, if any, of its policies on financial institutions, public bond investors, rating agencies, health care institutions and other parties involved in Authority financings;
- (2) Assist the Executive Director of the Authority in discussions with health care institutions about proposed financings and the Authority's ability to assist in such financings;
- (3) Work with the Executive Director of the Authority in developing financing programs for special health care providers (small hospitals, nursing homes, homes for the developmentally handicapped, blood banks, etc.); and
- (4) Assist the Executive Director of the Authority in the following areas:
 - (a) Advising institutions on their specific capital planning and needs;
 - (b) Advising institutions of the alternative methods of financing;
 - (c) Providing the institutions with a realistic financing schedule;
 - (d) Coordinating the efforts of all the parties involved in the financing from initiation through the consummation of the financing;
 - (e) Analyzing and negotiating the terms, covenants and costs of the financing and explaining the effects of same on future operations of the institution;
 - (f) Preparing the official statement for public offerings; and
 - (g) Negotiating the interest rate and underwriters' discount, if any, of the financing.

AMENDMENT TO HOUSE BILL 721

1. Page 24, line 3.
Following: "year."
Insert: "by or at the direction of the legislative auditor.
The actual costs of the audit shall be paid from the authority's
funds."
2. Page 24, lines 3 through 5.
Strike: "subsection (2) in its entirety."

EXHIBIT F

SELECT COMMITTEE ON ECONOMIC DEVELOPMENT

HOUSE OF REPRESENTATIVES

48TH LEGISLATURE

ATTENDANCE

DATE: Feb. 17, 1983

ROOM: Old Supreme Crt. Chambers

	PRESENT	ABSENT	OTHER
VINCENT, John - Chairman	X		
SCHYE, Ted - Vice-Chairman	X		
ASAY, Tom	X		
DARKO, Paula	X		
FABREGA, Jay	X		
FAGG, Harrison	X		
HANSEN, Stella Jean	X		
HARPER, Hal	X		
HARRINGTON, Dan	X		
METCALF, Jerry	X		
NEUMAN, Ted	X		
RAMIREZ, Jack	X		
VINGER, Orren	X		

VISITORS' REGISTER

HOUSE SELECT - ECONOMIC DEVELOP. COMMITTEE

BILL HB 721

Date 2/17/83

SPONSOR _____

[illegible]

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

FAGG suggested an effective date be attached to bill so won't have to wait until July 1st to implement the act established by the bill. FAGG moved that an immediate effective date be inserted in title and at end of bill, and that Greg Petesch be allowed to draft necessary language to reflect such.

Motion carried unanimously.

RAMIREZ suggested voting on the bill and then refer it to subcommittee for coordination of repetitive sections.

FABREGA moved that House Bill 733, AS AMENDED, DO PASS.

Motion carried unanimously.

DISPOSITION OF HOUSE BILL 721

HARPER moved proposed amendments by Legislative Auditor:

- (1) Page 24, line 2
Following: "year"
Insert: ", by or at the discretion of the legislative auditor. The actual costs of the audit shall be paid from the authority's funds"
- (2) Page 24, lines 3 through 5
Strike: subsection (2) in its entirety

Motion carried unanimously.

Greg Petesch explained proposed amendments by the Montana Hospital Association. Please see attached Exhibit A.

FABREGA moved the package of amendments. Ken Rutledge, Lobbyist for Hospital Association, and Gary Buchanan, Director of Commerce, were asked some questions. Buchanan expressed concern about having staff be part of state pay plan because at some point the staff will be attached to his Department.

Motion carried. Ramirez voted against.

It was determined a fiscal note would be required to be attached to the bill.

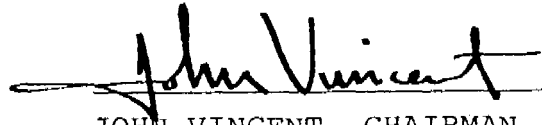
FAGG proposed the following amendment:

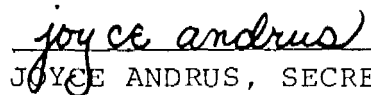
- (1) Page 4, lines 2 and 3
Strike: "other health care facility"
Insert: "facilities for senior citizens, developmentally disabled and the handicapped"

HARPER spoke against the amendment. It was his opinion that these facilities are not health care facilities. HARRINGTON and VINGER were also opposed to the amendment. More discussion was held on what constitutes a health care facility. FAGG suggested referring bill to sub-

committee to work on definition of a health care facility and to have Greg Petesch work on coordinating other parts of bill. The committee agreed to do this and took no further action on the bill.

CHAIRMAN VINCENT adjourned the meeting at 7:40 a.m.


JOHN VINCENT, CHAIRMAN


JOYCE ANDRUS, SECRETARY

PROPOSED AMENDMENTS TO HOUSE BILL 721 - MT HOSPITAL ASSOCIATION

- (1) Title, line 8
Following: "PROJECTS"
Insert: "; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE"
- (2) Page 1, line 12
Following: "is"
Strike: "a"
Insert: "created a public body corporate designated as the"
Following: "authority."
Insert: "This authority is constituted a public instrumentality, and its exercise of the powers conferred by (sections 2 through 26) shall be considered and held to be the performance of an essential public function."
- (3) Page 2, line 15
Following: "2-15-121."
Insert: "The authority may employ its own staff and personnel and set their compensation as provided in (section 9)."
- (4) Page 7, line 5
Following: "adopt"
Strike: remainder of line 5
Insert: "policies and procedures"
- (5) Page 7, line 10
Following: "funds"
Insert: "obtained from the issuance of bonds and notes which are"
- (6) Page 10, line 6
Following: "indebtedness."
Insert: "The interest, fees, and charges shall be deposited to an earmarked revenue account to the credit of the authority."
- (7) Page 10, lines 15 through 17
Following: line 14
Strike: lines 15 and 16 through "thereof." in line 17
- (8) Page 16, line 23
Following: "15."
Strike: "Findings before"
Insert: "Procedure for"
Following: "bonds."
Insert: "(1)"

- (9) Page 17, line 1
Following: "that"
Strike: remainder of line 1 through line 6
Insert: "such facility will enable or assist a health institution to fulfill its health care obligations.
(2) The resolution for the issuance of bonds or notes by the authority must provide that the proceeds of any bonds or notes may not be expended for any facility until such facility, if required by law, has been reviewed and approved by the appropriate regional and state health planning boards."
- (10) Page 18, line 16
Following: "of the"
Strike: "authority"
Insert: "health facility being financed"
- (11) Page 20, line 5
Following: line 4
Strike: "must"
Insert: "may"
- (12) Page 20, line 7
Strike: "must"
Insert: "may"
- (13) Page 20, line 10
Strike: "must"
Insert: "may"
- (14) Page 20, line 13
Strike: "must"
Insert: "may"
- (15) Page 24, line 18
Following: line 17
Insert: "Section 29. Effective date. This act is effective on passage and approval."

WE, YOUR SELECT COMMITTEE ON ECONOMIC DEVELOPMENT, ATTACH TO
HOUSE BILL 721, THE FOLLOWING:

STATEMENT OF INTENT

HOUSE BILL NO. 721

A statement of intent is required for this bill because it grants the Health Facility Authority the power to adopt rules to administer this chapter. The Legislature intends that these rules include:

- (1) procedural rules to govern the Authority;
- (2) procedures for assessing applications;
- (3) the establishment of fees to be charged by health institutions using the procedures of the authority; and
- (4) procedures for determining the eligibility of a facility.

The legislature declares that the purpose of this bill is health care cost containment. By making this bonding authority available, the legislature intends that health care costs will be contained by reducing the costs of facilities and equipment so that these savings may be passed on to consumers.

2/21/83

STANDING COMMITTEE REPORT

February 21

83

19.....

MR. **Speaker**.....

Select Economic Development
We, your committee on

having had under consideration **House**..... Bill No. **721**.....

first reading copy (**white**)
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A BILL FOR AN ACT ENTITLED: "AN ACT TO CREATE A MONTANA HEALTH FACILITY AUTHORITY WITH POWER TO LEND MONEY TO HEALTH INSTITUTIONS TO CONSTRUCT OR RENOVATE HEALTH FACILITIES; AND EMPOWERING THE AUTHORITY TO ISSUE BONDS TO FINANCE ITS PROJECTS."

Respectfully report as follows: That **House**..... Bill No. **721**.....

BE AMENDED AS FOLLOWS:

- (1) Title, line 3
Following: "PROJECTS"
Insert: "; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE"
- (2) Page 1, line 12
Following: "is"
Strike: "a"
Insert: "created a public body corporate designated as the"
Following: "authority."
Insert: "This authority is constituted a public instrumentality, and its exercise of the powers conferred by (sections 2 through 26) shall be considered and held to be the performance of an essential public function."

~~XXXXXX~~
DO PASS

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- (3) Page 1, line 14
Following: "2-15-124."
Strike: remainder of line 14 through line 15 on page 2
Insert: "The board must be broadly representative of the state, seeking to balance professional expertise and public accountability.
(3) Members must be appointed within 60 days of the effective date of this act in accordance with the manner prescribed in 2-15-124.
(4) The board is designated as a quasi-judicial board for the purposes of 2-15-124.
(5) The board is allocated to the department of commerce for administrative purposes only as provided in 2-15-121. The board has authority over its own personnel as provided in section 9 ."
- (4) Page 3, line 13
Following: "institution"
Strike: remainder of line 13 through "and" on line 16
- (5) Page 3, line 17
Following: "such indebtedness"
Strike: remainder of line 17 through "incurred" on line 20
- (6) Page 3, line 25
Following: "Section 4."
Strike: rest of line 25 and lines 1 through 23 on page 4
Insert: "Eligible health facility. (1) Eligible health facility means any structure or building used as a hospital, clinic, nursing home, or other health care facility as defined in 50-5-101, MCA; center for developmentally disabled; center for the handicapped; chemical dependency treatment center; nursing school; medical teaching facility; laboratory; dental care facility; or other structure or facility related to any of the foregoing or required or useful for the operation of a health facility by a health institution. These related facilities include supporting service structures and all necessary, useful, and related equipment, furnishings, and appurtenances and include without limitation the acquisition, preparation, and development of all lands and real and personal property necessary or convenient as a site for any of the foregoing.
(2) An eligible health facility does not include such items as food, fuel, supplies, or other items that are customarily considered as current operating expenses; and eligible health facility does not include a structure used or to be used primarily for sectarian instruction or study or as a place for devotional activities or religious worship."
- (7) Page 7, line 10
Following: "funds"
Ins

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- (7) Page 7, line 10
Following: "funds"
Insert: "obtained from the issuance of bonds and notes which are"
- (8) Page 10, line 6
Following: "indebtedness."
Insert: "The interest, fees, and charges shall be deposited to an earmarked revenue account to the credit of the authority."
- (9) Page 10, lines 15 through 17
Following: line 14
Strike: lines 15 and 16 through "thereof." in line 17
- (10) Page 11, line 8
Following: "necessary"
Strike: line 8 through "compensation"
Insert: "Such employment and contracting must be done in consultation with the department."
- (11) Page 12, line 20
Following: "bonds"
Insert: "not in excess of \$50 million for any two-year period"
- (12) Page 16, line 23
Following: "16."
Strike: "Findings before"
Insert: "Procedure for"
Following: "bonds."
Insert: "(1)"
- (13) Page 17, line 2
Following: line 1
Strike: line 2 through line 4
Insert: "(a) such facility will be operated by a health institution for the purpose of fulfilling its obligation to provide health care facilities; and (b)"
- (14) Page 17, line 5
Strike: "(2)"

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- (15) Page 17, line 7
Following: line 6
Insert: "(2) The authority may not allow the proceeds of any bonds or notes to be expended for any facility until it has been shown that such facility is financially feasible and that there will be sufficient revenues to assure that principal and interest payments are made when they become due.
(3) The authority may not allow the proceeds of any bonds or notes to be expended for any facility until it has considered the ability of the health institution to operate such a facility based on the health institution's experience and expertise.
(4) The authority must insure that its financings consistently provide fair and realistic terms and covenants sufficient to protect the position of the lenders or bondholders."
- (16) Page 18, line 16
Following: "of the"
Strike: "authority"
Insert: "health facility being financed"
- (17) Page 20, line 5
Following: line 4
Strike: "must"
Insert: "may"
- (18) Page 20, line 7
Strike: "must"
Insert: "may"
- (19) Page 20, line 10
Strike: "must"
Insert: "may"
- (20) Page 20, line 13
Strike: "must"
Insert: "may"
- (21) Page 24, line 1
Strike: "(1)"
- (22) Page 24, line 2
Following: "year"
Insert: ", by or at the discretion of the legislative auditor. The actual costs of the audit shall be paid from the authority's funds:"
- (23) Page 24, lines 3 through 5
Strike: subsection (2) in its entirety

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(24) Page 24, line 18

Following: line 17

Insert: "Section 29. Effective date. This act is effective
on passage and approval."

AND AS AMENDED

DO PASS

STATEMENT OF INTENT ATTACHED

DISPOSITION OF HOUSE BILL 721

RAMIREZ expressed concern that they should set some standards for hospital authority and that a statement of intent was needed since rule-making authority is granted.

FAGG moved his proposed amendment defining eligible health facilities (see attached).

Motion carried. HARPER voted against.

DISPOSITION OF HOUSE BILL 100

HARPER moved the proposed amendment by the Development Credit Corporation of Montana, to better reflect investment preferences:

- (1) Page 3, line 21
Strike: "security"
Insert: "return"

Motion carried unanimously.

RAMIREZ moved the proposed amendments by Speaker Daniel Kemmis:

- (1) Page 3, line 6
Following: "principal"
Strike: "and interest"
- (2) Page 9, line 19
Following: "which"
Strike: "may"
Insert: "shall"
- (3) Page 10, line 15
Following: "which"
Strike: "men"
Insert: "people"

Motion carried unanimously.

HARPER moved a proposed amendment by AFL-CIO:

- (1) Page 4, following line 8, add:
"(6) pay the prevailing wage for that occupation, or utilize contractors who pay the prevailing wage, for any construction made possible by state investment;

Motion carried. VINGER and RAMIREZ voted against.

HARPER suggested changing proposed amendment by AFL-CIO pertaining to affirmative action in hiring and moved the following amendment:

- (1) Page 4, following line 8, add:

Amendment TO HB 721

Delete Section 4, beginning on page 3, line 25 and ending on page 4, line 23 and replace with the following:

Section 4, Eligible health Facility.

(1) Eligible health Facility means any structure or building suitable for use as a hospital, clinic, nursing home, or other health care facility as defined in 50-5-101 MCA; center for developmentally disabled; center for the handicapped; senior citizen residential center; chemical dependency treatment center; nursing school; medical teaching facility; laboratory; dental care facility; or other structure or facility related to any of the foregoing or required or useful for the operation of a health facility which is provided or operated by a health institution. These related facilities include supporting service structures and all necessary, useful, and related equipment, furnishings, and appurtenances and include without limitation the acquisition, preparation, and development of all lands and real and personal property necessary or convenient as a site for any of the foregoing.

(2) An eligible health facility does not include such items as food, fuel, supplies, or other items that are customarily considered as current operating expenses; and eligible health facility does not include any property used or to be used primarily for sectarian instruction or study or as a place for devotional activities or religious worship.

EXECUTIVE SESSION OF SELECT COMMITTEE ON
ECONOMIC DEVELOPMENT - FEBRUARY 21, 1983

CHAIRMAN VINCENT called the meeting to order on recess. All members were present.

Discussion was held on revision of amendments worked out by Greg Petesch, Legislative Researcher, as requested by committee.

HARPER moved the amendments (see minutes from February 19th meeting).

Motion carried unanimously.

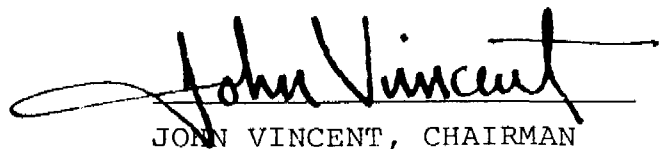
RAMIREZ moved the House Bill 721, AS AMENDED, DO PASS.

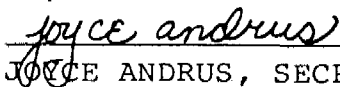
Motion carried unanimously.

METCALF moved the State of Intent to be attached to House Bill 721.

Motion carried unanimously.

FAGG requested that economic development bills be placed together for consideration on second reading to which Chairman VINCENT agreed to and will take care of.


JOHN VINCENT, CHAIRMAN


JOYCE ANDRUS, SECRETARY

MINUTES OF THE MEETING
STATE ADMINISTRATION COMMITTEE
MONTANA STATE SENATE

March 9, 1983

The forty-third meeting of the Senate State Administration Committee was called to order by Senator Pete Story, Chairman, on March 9, 1983 in room 331 of the State Capitol Building, Helena, Montana at 10:00 a.m.

ROLL CALL: All members of the committee were present.

The meeting was called to hear House Bills 626, 140, 514, 873 and 721.

CONSIDERATION OF HOUSE BILL 626:

"AN ACT REVISING THE EXCESS UNFUNDED LIABILITY PROVISIONS OF THE MUNICIPAL POLICE OFFICERS; RETIREMENT ACT AND THE FIRE-FIGHTERS' UNIFIED RETIREMENT ACT; AMENDING..."

REPRESENTATIVE BARDANOUVE, District 6, introduced this bill by saying that this is the first time they have brought in a firefighters' bill that is a relief bill. This actually provides relief to the cities that had large involved liability.

A few years ago when they put it under sound fiscal management and some of the cities had been balancing their budgets by shortchanging the payments into the retirement system therefore some of the cities were far in arrears as far as paying in their share for employees. Thus, they calculated the arrears and assessed the amount that was really back pay that was due the retirement system. EXHIBIT 1 was presented the committee which is the excess unfunded liability payments and credits of some cities and towns. He said that an annual assessment was put on the cities. It was hard for the cities that were really tight. Actually they had a couple of towns in good shape; Glasgow and Glendive put in more than their share. Livingston was right on line. Because of good earnings and management, the PERS felt the cities can be put on a lower base payment and all cities can be treated alike and they will all be on the same basis and will not have to pay a penalty after ten years. This is a substantial relief bill of \$222,000 a year.

PROFONENTS:

LARRY NACHTSHEIM, Department of Administration, submitted EXHIBIT 2 as his testimony. He said that this is a change of philosophy. This bill says lets change it and the extra money the state put in was the money for the cities that the state put in.

RAY BLEHM, Montana State Firemens' Association, asked to be recorded as a proponent of this bill.

STATE ADMINISTRATION
March 9, 1983
Page 6

OPPONENTS: None

QUESTIONS OF THE COMMITTEE:

SENATOR MARBUT presented amendments to this bill as EXHIBIT 10.

SENATOR TOWE questioned the language of the 7 members, none of whom may be less than 60 years of age.

CHAIRMAN STORY stated that he would put this bill in subcommittee consisting of Senators Towe and Marbut.

MR. WILKINSON stated this is not a new issue and there is a broad concern that limiting it to 7 members might be detrimental. The thrust of this is to look at other methods in the U.S. Some under 60 could provide the best job for this.

JANE ANDERSON said that the area agencies were badly affected and feel this would be the first step.

The hearing closed on H.B.873. (EXHIBIT 11 submits amendments presented from Charlie Briggs to Senator Marbut)

CONSIDERATION OF HOUSE BILL 721:

"AN ACT TO CREATE A MONTANA HEALTH FACILITY AUTHORITY WITH POWER TO LEND MONEY TO HEALTH INSTITUTIONS TO CONSTRUCT OR RENOVATE HEALTH FACILITIES; AND EMPOWERING THE AUTHORITY TO ISSUE BONDS TO FINANCE ITS PROJECTS; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

REPRESENTATIVE WALLIN, District 76, presented H.B.721 and walked the committee through the bill by sections. His testimony was taken from EXHIBIT 12.

PROPOSERS:

KEN RUTLEDGE of the Montana Hospital Association handed the committee material to read, EXHIBIT 13. Mr. Rutledge presented an amendment to the bill shown as EXHIBIT 14. He stated that the first amendment was for the bonding benefit. He also stated that expertise is very important in this bill. He said that they modeled their legislation after Idaho and Colorado and they had to make some modification to make it fit our statutes. He called attention to the second amendment they are proposing on page 21, line 5, they will see they want to change it from health facility to health institution being financed. The definition of health facility is any of the projects that can be undertaken, health institution is defined as that health care institution that helps in sponsoring the facility projects. The problem is the bonding interpretation.

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March 9, 1983
Page 7

QUESTIONS OF THE COMMITTEE:

SENATOR TOWE questioned KEN RUTLEDGE regarding his amendments, and asked him to look at page 14, section 13 and section 12. and questioned the change facility to institution on page 21 and on page 14 it says facility.

KEN RUTLEDGE said that they looked at that this morning and did not feel the change was necessary.

DOUG MITCHELL with the Colorado Health Facility, said that the problem on page 14 is covered by the explicitness of the definition on page 21 in that it is shown in upper case and page 14 language is in the lower case.

SENATOR TOWE stated that is not the rule in Montana.

It was the opinion that this then should be corrected.

SENATOR TOWE asked who put in the amendment.

It was said that Representative Rameriz had some concern and they felt it would not take away from the bill.

SENATOR TOWE asked why the definition of health facility is being changed so dramatically.

KEN RUTLEDGE said that it is not dramatic. He said that the original bill was about three times larger and they reduced it. The original bill was drafted by bonding attorneys.

SENATOR MARBUT questioned page 8 and 9, investment of funds, bonds and notes.

SENATOR STIMATZ said that when they are talking authority they are talking institutions.

SENATOR MARBUT questioned the limitation of investments.

MR. MITCHELL says that there are laws that speak to this.

SENATOR MARBUT questioned page 10, line 5 through 17 and the broad area of authority of assets, then it says without public bidding.

MR. MITCHELL said it speaks to nature of security.

SENATOR MARBUT said, then on page 12 you have confusing language.

MR. MITCHELL said it is the intent to elaborate on different

STATE ADMINISTRATION
March 9, 1983
Page 8

mechanisms to fit the different types of hospitals. It is to provide that when the board makes its last payment the said property will be released back to the owner.

The flexibility in the bill was discussed and it was stated that the bonding committee likes to have as much flexibility as possible.

SENATOR MARBUT questioned the "effective date".

The committee was told that this was directed to the Bozeman project.

The hearing closed on H.B.721.

The meeting adjourned at 11:55 a.m.

A handwritten signature in cursive script, appearing to read "Pete Story", is written over a horizontal line.

CHAIRMAN, Senator Pete Story

Simply put, House Bill 721 is a hospital cost containment bill. The purpose of the bill is to establish a statewide health financing authority similar to those which have been established in 18 other states, including Idaho and Colorado.

pg 1

A health facility authority provides a means by which non-profit health care facilities can seek tax-exempt bond financing for capital expenditures through the authorization of a statewide political subdivision, as an alternative to the current practice of authorizing such bonds through the counties. The advantages of this statewide authorization mechanism are many, including:

1. By authorizing bonds through a centralized mechanism and charging a fee for such service, sufficient funds can be generated to provide expertise and assistance to health care facilities in obtaining the least costly form of financing for their capital projects.
2. By providing a mechanism for pooling of financing for medical equipment for a group of hospitals, tax-exempt financing with its lower interest rates can become a cost effective means of financing capital equipment for hospitals. Because of the numerous fees associated with tax-exempt financing, a single hospital's capital equipment needs are not great enough in dollars to make tax-exempt financing cost effective. By spreading these fees over a number of hospitals such financing can be cost effective.
3. By pooling the resources of a large number of health care facilities, educational programs aimed at improving health care facilities capital planning programs can be provided. By improving a hospital's capital planning activities large numbers of dollars can be saved over the years.

It should be stressed that health care facilities already have the ability to utilize tax-exempt financing through the authorization of the county in which they are located. HB 721 would merely provide a method of making such tax-exempt financing even less costly.

Use of the health financing authority would be voluntary and financing could only proceed after a health care facility had been granted approval for its capital expenditure through the Montana certificate of need process.

a clearing house for federal and state guarantee and funding levels available for assistance.

This bill is patterned after the Idaho bill which enacted legislation in 1972 to establish its authority. Their financings have been for hospitals and nursing homes.

Section 1 - Designates the number of members in the authority, their makeup, and that they are appointed by the governor.

Section 2 - Names this bill as Montana Health Facility Authority Act.

Section 3 - Defines authority, costs, health facility, health institution, participating health institution, refinancing of outstanding obligations and revenues.

Section 4 - ^{Section} ~~Lists~~ eligible health facilities under this act.

Section 5 - Those costs which would be funded and you will note it excludes operating costs.

Section 6 - The quorum for any meeting of the authority is at least four and any affirmative action must be by vote of at least four of its members. Meetings are public. They receive no pay except for necessary expenses in attending meetings.

Section 7 - Defines the powers of the authority. Collects its costs from participating institutions.

Section 8 - Restricts the authority from operating a health facility as a business other than as a lessee or lessor.

IN CONSULTATION WITH REP. AND COM. MEMBERS
Section 9 - Authorizes a staff and fixes their compensation.

Section 10 - Limits the loan to no more than the total cost of the health facility being financed.

Section 11 - It may make a participating health institution its agent for the purpose of acquiring improving, maintaining, repairing, operating and

leasing the facility.

Section 12 - The authority may issue notes in the same manner as bonds.

Section 13 - It has authority to borrow money and issue bonds. No bond may mature more than 40 years from date of its issue.

Section 14 - Describes the security of the bondholders. The bill spells out on lines 15 through 17 that no breach of any mortgage or other security instrument may impose any pecuniary liability upon the Montana Health Facility Authority.

Section 15 - Provides authority for the Authority to purchase its bonds or notes.

Section 16 - Restrains any financings until it has been determined that such facility will enable or assist a health institution to fulfill its obligation to provide health facilities; and that it has been reviewed and approved by appropriate regional and state health planning boards.

Section 17 - Authorizes it to secure any bonds issued, by a trust agreement between the Authority and a corporation trustee located in Montana.

Section 18 - Spells out again in very specific language that the obligation is not a debt of the state and bonds issued must so state on their face.

Section 19 - All bonds, notes, or other obligations issued and income from them are exempt at all times from all taxation.

Section 20 - Authorizes a start-up borrowing ability but that borrowed money must be repaid within a reasonable time and such expenses are to be reimbursed from fees charged against the borrowing authority.

Section 21 - Provides for promptly conveying its interest in the facilities back to the facilities as soon as all indebtedness has been repaid.

Section 22 - All moneys received towards repayment are trust funds to be held and applied solely as proved in the foregoing sections.

Section 23 - Is a list of entities authorized to invest in the bonds
issued by the Authority.

Section 24 - Pledges that the state of Montana and the United States will
not impair any obligations which have been entered into with holders of
bonds and notes.

Section 25 - Promises that all assets pledged would be surrendered without
any physical delivery or further act in the event of default.

SEC. 22 ANNUAL REPORT OF THE AUTHORITY

ANNUAL REPORT OF THE AUTHORITY TO THE LEGISLATURE
AUTHORITY

SEC. 23 MEMBERS OF THE AUTHORITY

2 MEMBERS, TERM 1984

2 MEMBERS, TERM 1985

2 MEMBERS, TERM 1986

2 MEMBERS, TERM 1987

2 MEMBERS, TERM 1988

SEC. 28 SEVERABILITY

SEC. 29 EFFECTIVE ON PASSAGE & APPROVAL

EXHIBIT 13
State Admin.
3/9/83

THE NATIONAL HEALTH LAWYERS ASSOCIATION

THE SECOND ANNUAL INSTITUTE ON
CAPITAL FINANCE FOR HEALTH CARE FACILITIES

The Fairmont Hotel
New Orleans, Louisiana
January 12-14, 1983

THE PLANS OF THE STATE BOND ISSUING AGENCIES AND
WHAT THEY NEED FROM THE PROVIDER

Lee Fetter
Executive Director
Missouri Health and Educational
Facilities Authority
St. Louis, Missouri
January 13, 1983

THE ROLE OF HOSPITAL FINANCING AUTHORITIES

I. Where to find authorities and what to expect.

- A. Tax exempt financing for hospitals originated with the Connecticut Hospital and Higher Education Facilities Authority in 1966, deriving their public interest status from similar financings for public and private higher education by the New York State Dormitory Authority in the late 1950's.
- B. Statewide and local (municipal or county) authority vehicles for tax exempt "conduit" financing exist in every state but one. Currently, states with authorities number approximately 22 statewide and 36 local, of which 9 states have both.
- C. The conduct of business varies from authority to authority, depending on the amount of services offered to hospitals and the degree of coordination established over the financing.

II. How to use the authorities.

- A. Understand the role that the authority perceives itself assuming and their rationale for conducting business in that manner.
- B. Generally, the authority, which is in itself a political subdivision, will assume either an "active" or "passive" role in acting on behalf of the hospital and public interest.
 - 1. A "passive" authority will provide minimal review and consultation to initiate the financing, minimal organization or direction to structure the financing and minimal assistance in marketing the bonds and closing the financing.
 - 2. An "active" authority will provide all or a combination of the activities listed above.

3. Consider the divergent interests that often need to be addressed in each public financing: the hospital, the bondholder, the patients supporting the debt service and the public, in general, indirectly subsidizing the financing.
 4. The "active" authority should attempt to strike a healthy and reasonable balance amongst these interests when they appear to conflict in the financing process.
- C. The financing process, from the Authority's and hospital's perspective, will encompass the following framework:
1. Determination of eligibility: Brief description of borrower and project, including estimated sources/uses of funds and timing, By Laws, Articles of Incorporation, Deed of Trust, existing loan restrictions, prior audited statements, utilization statistics and available CON/feasibility material.
 2. Assembly of Financing Team and Timetaable: Method of selecting Managing Underwriters, Bond Counsel, Feasibility Consultant, and Trustee varies by Authority. Consult early to determine procedure.
 3. Structure and Sale of Securities: The Authority will review with the Hospital various advantages and disadvantages of the method, amount and terms of the proposed transaction. They will also assign responsibilities and organize appropriate drafting sessions to consider the structure of the loan, balancing the Hospital's interests and desire for flexibility with credit and security considerations.
 4. Ongoing Review: The Authority will review with the Trustee monthly income/disbursements reports, and the timely investment and payment of construction

funds. They will also review periodical hospital financial and operating statistics and construction reports to ensure the bondholders of timely project completion and financial stability. They should be available for assistance to interpret and fairly implement legal conditions required by bond documents.

III. Getting the Most From your Tax-Exempt Dollars -
The Authority's Edge

A. Independent Consultation

1. Evaluation of every financing strategy available to the hospital and the appropriate dollar amount under the circumstances, including full disclosure of the risks and costs associated with short term and multiple financings.
2. Evaluation of current market conditions and their effect on the plan of financing. This evaluation should be considered supplemental to the hospital's primary source of advice.
3. Evaluation of the underwriting strategy to be employed by the investment banker, including a sufficient distribution of risk and sales incentive with the syndication group.
4. Negotiation of favorable interest rates and an equitable underwriting discount, such that the Hospital receives the best deal possible under current market conditions.

B. Ongoing Representations with the Investment Community

1. Rating Agencies: Although an Authority, in and of itself, will not be a factor in the hospital's credit rating, a good Authority will contribute positively to the context in which the financing is analyzed.

2. Underwriters: The Authority is viewed by the investment banking community as a focal point for ongoing business. If properly exploited, this can be used by the hospital community to stimulate interest in weaker credits, generate broad support for all credits during difficult markets, and enforce working relationships with underwriters that result in the timely completion of financings.
3. Investors: A good Authority is visible and well known to potential buyers of hospital bonds and maintains their confidence through its source of information and ongoing review. Because of the volume of business it transacts, the Authority should have numerous potential sources of funding, public or private.

IV. The Full Service Authority

While tax exempt financing increases as a percentage of total capital funding for hospitals and as the volatile conditions of the capital markets persist, hospitals should take advantage of additional services available from an "active" Authority.

A. Banking

1. Authorities are now issuing bonds on behalf of a "blind" pool of hospitals and making the proceeds available for equipment financing to any hospital qualifying for credit. The attractive rates and minimal processing complications merit every hospital's consideration.
2. Several commercial paper financings have been completed by authorities, involving short term notes rolled over continuously to yield the lowest current interest costs available to hospitals.

3. Short, intermediate and long term financings pegged to a floating rate index periodically established with the Authority and hospital provide another low interest option to the hospital.

B. Clearinghouse

Capital financing decisions by hospitals can be made in a more informed manner upon consideration of the many external factors affecting their capital funding. The Authority should be knowledgeable about most of these factors including the following:

1. Status of potentially adverse tax legislation restricting the use of tax exempt financing.
2. Comparative financial ratio statistics on comparable hospitals in the state.
3. Impact of potential reorganization/reimbursement trends on the capital financing strategy.
4. Rating agency considerations and recently adopted policies.
5. Federal and state guarantee and funding levels available for assistance.

HOUSE BILL 721

14
EXHIBIT 14
State Admin.
3/9/83

MR. CHAIRMAN:

I move to amend House Bill 721 by making the following changes:

1. Page 4, Section 3(6), strike the entire subsection (6) beginning on line 4 and ending on line 11. Renumber subsection (7) to (6).
2. Page 21, Section 18, line 5, following "Health", change "Facility" to "Institution".

NAME Ed Dahlberg BILL No. HB. 721
ADDRESS Bozeman DATE 3-9-83
WHOM DO YOU REPRESENT Admin. Bozeman Hospital
SUPPORT ☒ OPPOSE ☐ AMEND ☐

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

*intended to testify in person
but had to meet with Gallatin Rep Women's
Group re: new hospital. Wish to express
support of this bill*
by how sec.

ROLL CALL

STATE ADMINISTRATION

COMMITTEE

48th LEGISLATIVE SESSION -- 1983

Date 3/9/83

-----				SENATE SEAT
NAME	PRESENT	ABSENT	EXCUSED	
SENATOR PETE STORY, Chairman	X			45
SENATOR H. W. HAMMOND, Vice Ch	X			34
SENATOR REED MARBUT	X			44
SENATOR LARRY TVEIT	X			33
SENATOR R. MANNING	X			48
SENATOR LAWRENCE STIMATZ	X			7
SENATOR THOMAS TOWE	X			26
SENATOR GARY LEE	X			

Each day attach to minutes.

DATE March 9, 1983

COMMITTEE ON

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppose
Larry Nachtsheim	PRAD	AB626	✓	
George Baurleman	Urban Coalition	HB626	✓	
Walter J. Lofa	Senior Citizens	873	✓	
Roberta Matthews	Senior Citizens	873	✓	
Robert Johnson	Barbers' Retirement	140	✓	
Ray Blehm	MT St Firemen's Assoc	HB 626	X	
Dorey Olson	mt Seniors' Advoc. Asst	873	✓	
Sprath	HP 71	514	X	
Mark Crum	Dept. of Admin	514	✓	
WADE WILKINSON	LISCA	873	✓	
Lenore Infelano	Long Term Care ombudsman	873	✓	
Tom Ryan	MT Senior Citizens	873	✓	
Miss Walker	mt State Council of Professional Fire Fighters	HB 626	✓	

(Please leave prepared statement with Secretary)

STATE ADMINISTRATION
March 11, 1983
Page 7

1
SENATOR TOWE MOVED AMENDMENT 2.

Page 6, line 16.

Following: "member"

Insert: "of the Montana League of Cities and Towns"

SENATOR HAMMOND MADE A SUBSTITUTE MOTION TO LEAVE SUBSECTION
(c) AS IT IS.

MOTION PASSED.

SENATOR MARBUT MOVED THE FOLLOWING AMENDMENT:

Page 14, line 15, 16 and wherever it may state this in
the bill. Including the title.

MOTION PASSED.

It was the decision of the chairman to hold this bill until
Monday when the amendments could be compiled and presented
in order.

ACTION of H.B.776 - HOLD.

SENATOR MANNING INTERTAIN A MOTION TO REVERT BACK TO HOUSE
BILL 873.

MOTION PASSED.

SENATOR MANNING MOVED THE FOLLOWING AMENDMENT:

1. Title, line 11.

Insert: "PROVIDING AN IMMEDIATE EFFECTIVE DATE"

2. Page 2

Following: line 9

Insert: "Section 3. Effective date. This act is
effective on passage and approval."

MOTION PASSED.

SENATOR MANNING MOVED H.B.776 BE CONCURRED IN AS AMENDED.
MOTION PASSED.

ACTION ON HOUSE BILL 721: Referring to EXHIBIT 15.

SENATOR TOWE MOVED AMENDMENT TO Insert "public or" after "any"
on page 3, line 20. MOTION PASSED.

SENATOR TOWE MOVED TO STRIKE all lines 4 through 14 on page 4
MOTION PASSED.

SENATOR TOWE MOVED TO STRIKE "BY A HEALTH INSTITUTION" on
page 5, line 25 and page 6, line 1.
MOTION PASSED

SENATOR TOWE MOVED TO STRIKE "facility" on page 12, line 16,
and insert participating health institution.

STATE ADMINISTRATION

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Page 8

MOTION PASSED.

SENATOR TOWE MOVED Page 14, line 16, put a "." after the word "PERIOD" and strike the remainder of line 16 through them on page 15, line 1.

MOTION PASSED.

SENATOR TOWE MOVED page 16, line 15, strike "eligible" and add "participating" and strike "facility" and insert "institution"; and on Page 21, line 5, strike "FACILITY" and add "institution".

MOTION PASSED.

SENATOR TOWE MOVED THE HOUSE BILL 721 BE CONCURRED AS AMENDED.
MOTION PASSED.

The meeting adjourned at 12:20 p.m.


CHAIRMAN, Senator Pete Story

AMENDMENTS TO HOUSE BILL 721

EXHIBIT 15
State Admin.
3/11/83

MR. CHAIRMAN:

I move to amend House Bill 721 by making the following changes:

1. On page 3, Section 2(4), line 20, delete the word "private"; on lines 21 and 22, following the first "or" on line 21, delete the words "institution or public hospital or institution" and substitute in their place "other organization".
2. On pages 5 and 6, Section 4, line 25 of page 5 and line 1 of page 6, place a period (.) after "Health Facility" on line 25 and delete the words "BY A HEALTH INSTITUTION".
3. On page 4, delete subsection (6) in its entirety, beginning on line 4 and ending on line 14.
4. On page 4, line 15, change "(7)" to "(6)".
5. On page 12, Section 8(2), line 16, delete "Facility" and replace with "participating health institution".
6. On page 14, Section 13, place a period (.) after the word PERIOD on line 16 and delete all language beginning on line 16 with the word "including" and all language on lines 16 through 25 on page 14 and on line 1 of page 15.
7. On page 16, Section 14(2)(a) on line 15 delete the word "eligible" and replace it with "participating" and delete the word "facility" and replace it with the word "institution".
8. On page 21, Section 18, line 5, delete the word "FACILITY" and replace it with "institution".

STANDING COMMITTEE REPORT

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MR. PRESIDENT

We, your committee on STATE ADMINISTRATION

having had under consideration HOUSE Bill No. 721

Wallin

Respectfully report as follows: That HOUSE Bill No. 721

Third reading bill (blue copy) be amended as follows:

1. Page 3, line 20.
Following: "any"
Insert: "public or"
2. Page 3, lines 21 and 22.
Strike: "institution or public hospital or institution"
Insert: "other organization"
3. Page 4, lines 4 through 14.
Strike: subsection (6) in its entirety
Renummer: subsequent subsection
4. Page 5, line 25 and page 6, line 1.
Strike: "BY A HEALTH INSTITUTION"

XXXXXX

(CONTINUED)

5. Page 12, line 16.
Strike: "facility"
Insert: "participating health institution"
6. Page 14, line 7.
Strike: "convenants"
Insert: "covenants"
7. Page 14, line 16.
Following: "PERIOD"
Strike: remainder of line 16 through "them" on page 15, line 1.
8. Page 16, line 15.
Strike: "eligible"
Insert: "participating"
Strike: "facility"
Insert: "institution"
9. Page 21, line 5.
Strike: "FACILITY"
Insert: "Institution"

And, as so amended,
BE CONCURRED IN

ROLL CALL

STATE ADMINISTRATION

COMMITTEE

47th LEGISLATIVE SESSION -- 1983

Date 3/11/83

				SENATE SEAT #
NAME	PRESENT	ABSENT	EXCUSED	
SENATOR PETE STORY, Chairman	X			45
SENATOR H. W. HAMMOND, Vice Ch	X			34
SENATOR REED MARBUT	X			44
SENATOR LARRY TVEIT	X			33
SENATOR R. MANNING	X			48
SENATOR LAWRENCE STIMATZ	X			7
SENATOR THOMAS TOWE	X			26
SENATOR GARY LEE	X			

Each day attach to minutes.

DATE March 11, 1983

COMMITTEE ON

[illegible]

(Please leave prepared statement with Secretary)